FILED
JUN 10 1998
OFFICE OF THE CLERK
SUPREME COURT, U.S.

No. 97-1773

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

THEIS RESEARCH, INC.
Petitioner

v.

OCTEL COMMUNICATIONS CORPORATION AND
NORTHERN TELECOM INC.
Respondents

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEFS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

PAUL R. JOHNSON
Counsel of Record
NEVIN & HALL LLP
180 Grand Avenue, Suite 950
Oakland, CA 94612
(510) 873-8600
Counsel for Petitioner
Theis Research, Inc.

16 pp

QUESTIONS PRESENTED

1. Where all of the prior art was before the Patent and Trademark Office, should a jury be invited and empowered to disregard the Office's determinations, substituting its own opinions of obviousness and anticipation (and those of an infringing party's "expert") for the Office's determinations? Or should the trial court have sustained the Office's determinations absent clear error or an abuse of discretion?

2. As patent validity is ultimately a question of law, where all of the prior art was before the Patent and Trademark Office, and the Office determined that the invention was neither obvious nor anticipated, should the Federal Circuit review de novo (a) a jury's verdict overturning the determination of the Office and (b) the trial court's denial of judgment as a matter of law?

3. Should the Federal Circuit review the construction of patent claims de novo in light of the specification and claims?

4. Should a patent be held invalid under the "on sale" bar of 35 U.S.C. § 102(b) where the invention as a whole was not "fully completed" one year before filing of the patent application? For the purpose of obviousness and anticipation determinations, should an inventor's own work be classified as "prior art" by virtue of the "on sale" bar of 35 U.S.C. § 102(b) where the work as a whole was not "fully completed" with respect to the patented invention?

SUPPLEMENTAL STATEMENT RE PARTIES

Rule 29.6 Statement: As stated in the petition, there are no parent companies or nonwholly-owned subsidiaries of petitioner Theis Research, Inc. (Theis Research).

Respondent Northern Telecom Inc. did not include a statement under Rule 29.6 in the opposition brief served on petitioner. Petitioner understands that Northern Telecom Inc. is a wholly-owned subsidiary of Northern Telecom Limited, the majority owner of which is BCE Inc. *See* http://www.bce.ca/e/about/corporate/organization.

TABLE OF CONTENTS

Page

1. This Case Presents the Opportunity to Resolve Serious Problems in Patent Adjudication 1

2. Respondents Demonstrate the Timeliness of the Issues Presented for Review 4

3. The Issues Were Preserved Below 6

4. Respondents' Misstatements Demonstrate the Fertile Ground for Obfuscation in Patent Validity Decisions 8

5. Conclusion 10

TABLE OF AUTHORITIES

Page

Cases

Boyle v. United Technologies Corp.,
487 U.S. 500 (1988) 7-8

Chevron U.S.A. v. Natural Res. Def. Council,
467 U.S. 837 (1984) 4

Connell v. Sears Roebuck & Co.,
722 F.2d 1542 (Fed. Cir. 1983) 6

Graham v. John Deere Co.,
383 U.S. 1 (1966) 4-6

In re Lockwood,
50 F.3d 966 (Fed. Cir. 1995) *vacated and remanded sub nom. American Airlines, Inc. v. Lockwood*,
515 U.S. 1182 (1995) 3-6

Markman v. Westview Instruments, Inc.,
517 U.S. 370, 116 S.Ct. 1384 (1996) 6-7

Pfaff v. Wells Electronics, Inc.,
No. 97-1130 4

In re Theis,
610 F.2d 786 (C.C.P.A. 1979) 2, 7, 9

U.S. Surgical Corp. v. Ethicon, Inc.,
103 F.3d 1554 (Fed. Cir. 1997) 5

Warner Jenkinson Co. v. Hilton Davis Chemical Co.,
__ U.S.__, 117 S.Ct. 1040 (1997) 6

Page

Constitutional Provision

U.S. Const., 7th Amend. 4

Statutes

5 U.S.C. § 551 4
35 U.S.C. § 282 3
35 U.S.C. § 302 2

In an era when breakthrough technological innovation has become a matter of necessity to the Nation's position in the world economy, the Federal Circuit has stripped reliability and predictability from the U.S. patent system. Certainty in the protection of ideas, expressed as protected intellectual properties, is essential to enterprise in this information age.

1. This Case Presents the Opportunity to Resolve Serious Problems in Patent Adjudication

While respondents suggest that the scientific, technical details that fill much of the record in this case would make certiorari inappropriate, the questions before this Court are not so burdened. Petitioner respects the role of this Court, and does not ask it to correct every error that occurred below. Instead, the issues presented by the petition go to the heart of the legal process, and they address what is so fundamentally wrong with the Federal Circuit's approach—particularly its role vis-a-vis the executive branch.

This case squarely presents patent validity decisionmaking by the judiciary that is duplicative of complex patentability procedures already concluded by the Patent and Trademark Office.[1] Because the instant validity issues turn on a comparison of the claimed invention with the prior art, and because respondents relied on prior art that was already before the Office, this case presents the principal issue with utmost simplicity: Should the courts be redoing the work already done by the Office? Or should they instead be asking whether the Office committed clear error or an abuse of discretion? The

---

[1] Octel forthrightly acknowledges that respondents relied on the Con Mode I and the Shepard patent as prior art. Northern Telecom hedges (9 n.3, 13 n.5), suggesting that the jury "presumably understood" this prior art differently (assuming it was understood) and complaining that the examiner had not "asserted" this prior art in the "same manner" (because, of course, the examiner reached a contrary result). This simply confirms that this case joins the questions raised.

questions presented are no hypothetical abstractions; they are concretely cast by the proceedings below.[2]

In their argument for denial of certiorari, respondents make numerous references correlating Con Mode I and *In re Theis.* The '436 patent claims at issue, however, concern the Con Mode II, not the Con Mode I, and the '817 patent claims (and certain '436 patent claims not in issue) concern neither the Con Mode I nor the Con Mode II. Furthermore, the court in *In re Theis* did not conclude that the Con Mode I was invalidating prior art, even for the '930 application claims at issue in that case. *In re Theis,* 610 F.2d 786, 794 (C.C.P.A. 1979) ("Prior art is not involved in this case"). *See* petition at 7-8, 13 n.16.

As discussed in section 3, *infra*, petitioner preserved the issues below. Yes, petitioner wanted a jury to decide the infringement of its patent claims. But it did not want a jury to substitute de novo its judgment for that of the Patent and Trademark Office on validity questions that had already been regularly determined by the Office.[3]

Petitioner's vested interest in this Court's review of the Federal Circuit's defective approach to patent validity decisions coincides with important public interests. As Judge Nies stated:

"The validity/invalidity of a patent is a matter

---

[2] Cases where a patent claim is alleged to be obvious or anticipated based on prior art that was *not* before the Patent and Trademark Office need not be decided. Such a case does not involve redoing a determination already made by the Office. Nevertheless, guidance beyond the contours of this case might appropriately be given. For example, lower courts ought to be wary of validity claims based on "new" prior art that is not material. Amici Intellectual Property Creators et al. suggest that litigation be stayed to permit the Office to reexamine the patent issuance against any newly discovered prior art. Amicus brief at 19. See 35 U.S.C. § 302.

[3] Octel's citations are to general jury demands at the end of the pleadings. Northern Telecom's reference is discussed at n.10, *infra.*

> which affects the public, not merely the litigants. Yet, under the confusing jury jurisprudence of this court, the matter can be treated as if only the rights of the litigants were involved."

In re Lockwood, 50 F.3d 966, 989 (Fed. Cir. 1995) (dissent from denial of en banc rehearing), *cert. granted sub nom. American Airlines, Inc. v. Lockwood*, 515 U.S. 112, *vacated and remanded*, 515 U.S. 1182 (1995).

Respondents erroneously argue that because 35 U.S.C. § 282 makes invalidity a defense, every declaratory judgment and infringement action tests the patentability of an invention by restarting the decision-making process from the beginning. Everything is up for grabs.[4]

It is the same problem Judge Nies identified. A patent is just a ticket to litigation. The statutory presumption of validity becomes hollow and meaningless. The administrative decisions are entirely displaced by the battleground of litigation between the parties.

This case provides a particular opportunity for the Court to resolve the uncertainties caused by the Federal Circuit's approach to adjudicating patent validity. Accordingly, petitioner respectfully submits that certiorari should be granted for plenary consideration of Questions 1 and 2.[5]

---

[4] The invitation for infringement harms more than patent holders and investor confidence. Competitors who honor patents suffer a comparative disadvantage to those willing to infringe.

The infringer is encouraged to assert every possible theory of invalidity. Respondents unsuccessfully challenged validity on best mode and indefiniteness theories and failed on contentions that claims 1 and 10 of the '436 patent were anticipated. Record at 00057-00059.

[5] Petitioner respectfully submits that Questions 3 and 4, if not given plenary consideration, should be held for grant, vacate, and remand for further consideration.

As to Question 3, petitioner did not ask the Court to review the

2. Respondents Demonstrate the Timeliness of the Issues Presented for Review

For the proposition that patent validity is a fact question that may be given to a jury, the most recent decision of this Court cited by respondents was decided in 1936.[6] Intervening events in the last 60 years, such as this Court's decision in *Chevron U.S.A. v. Natural Res. Def. Council*, 467 U.S. 837 (1984), the passage of the Administrative Procedure Act (5 U.S.C. § 551 et seq.) in 1946, and the adoption of the current Patent Act in 1952, demonstrate that the issues presented are ripe for review. Respondents also neglected to mention this Court's intervening pronouncement in *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)--that "the ultimate question of patent

---

details of errors in claim construction below, but demonstrated the failure of the Federal Circuit to interpret the patent claims de novo in accordance with the specification and claims.

Question 4 presents an alternative ground for overturning the invalidity decisions below based on a corollary to the "on sale" bar issue being reviewed by this Court in *Pfaff v. Wells Electronics, Inc.*, No. 97-1130.

[6] Insofar as respondents suggest that de novo jury determination of patent validity issues is obligatory, Northern Telecom (at 18) perhaps answers this issue best by stating that the Seventh Amendment entrusts juries with the "'capability to evaluate demeanor . . . sense the "mainsprings of human conduct" . . . or to reflect community standards.'" These are not the criteria for comparing a claimed invention with the prior technical and scientific art.

Beyond this, the contention is amply answered at the petition stage by reference to Judge Nies' contrary opinion in *In re Lockwood*, 50 F.3d at 980 et seq. Petitioner's previous summary of the issue in *In re Lockwood*, as whether juries should decide patent validity, was both fair and accurate. As was the case in *In re Lockwood*, respondents challenged the validity of the patent claims by declaratory judgment actions.

validity is one of law."[7]

Absent clear error or a decision that is arbitrary and capricious, judgment calls made by the Patent and Trademark Office should be sustained by the courts. Contrary to respondents' accusations of unfairness, this does not render the statutory presumption of validity conclusive. It simply establishes an orderly process for testing the presumption by recognizing the primary role of the Office in the patent system. As this Court stated in *Graham:*

> "While we have focused attention on the appropriate standard to be applied by the courts, it must be remembered that the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is—for all practical purposes—to debilitate the system."

Graham v. John Deere Co., 383 U.S. at 18. Regrettably, the Federal Circuit has debilitated the patent system by disregarding determinations already made by the Office, and by assigning juries the task of redoing the work done by the Office.[8]

As Judge Nies seemingly anticipated, the solution will not come from within the Federal Circuit.

---

[7] As Judge Nies noted:

> "Resolution of the factual inquiries outlined in *Graham* does not dictate the answer to the question of obviousness. It merely brings one face to face with a judgmental decision."

In re Lockwood, 50 F.3d at 988 n.16. *See* petition at 20 & n.21.

[8] By employing the limited substantial evidence review of invalidity verdicts espoused by respondents (*see U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554 (Fed. Cir. 1997)), the Federal Circuit *automatically precludes itself from even considering the prior determination made by the Office:* The test looks only at the evidence supporting the verdict; contrary evidence (including the prosecution history and the administrative determinations) is given no weight.

> "[B]ecause of the strong language in *Connell*,[9] and later precedent endorsing jury rights, the right to a jury on validity issues has simply become ingrained without analysis. In banc efforts to clarify the issue have been unsuccessful, as this case itself illustrates."

In re Lockwood, 50 F.3d at 988 (footnotes omitted). The Federal Circuit is floundering. It has failed to identify an approach to patent validity adjudications that accords with (1) this Court's determination in *Graham* that validity is ultimately an issue of law and (2) this Court's emphasis on the Federal Circuit's responsibility to promote consistency in patent law. (*See Warner Jenkinson Co. V. Hilton Davis Chemical Co.*, __ U.S. __, 117 S.Ct. 1040, 1053 n.8; *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384, 1396.)

3. The Issues Were Preserved Below

Both at trial and on appeal, in opposing respondents' allegations (that claims 1 and 10 of the '436 patent and claim 1 of the '817 patent were obvious and anticipated), Theis Research relied on the prior determination of these issues to the contrary by the Patent and Trademark Office with the very same prior art before it.[10] Petitioner similarly emphasized in briefing

---

[9] Petitioner referenced *Connell v. Sears Roebuck & Co.*, 722 F.2d 1542 (Fed. Cir. 1983) in the petition at 22.

[10] At trial, Rene Tegtmeyer, Assistant Commissioner for Patents from 1975 to 1989, reviewed the patent prosecution histories (the file wrappers) and detailed how the records showed that the patent examiner had before him and considered the same prior art in determining that each of the claimed inventions was novel (i.e., not anticipated) and nonobvious. 14940-14942, 14956-14962. In argument, petitioner's counsel relied on the patent examiner's determination in addressing each of these validity issues. 15014.

Northern Telecom quotes repeatedly a sentence that appeared in petitioner's opposition to a summary judgment motion that was based

on appeal that: "*The PTO Examiner was aware of this prior art and* the *In re Theis* decision. 15121. No other prior art was relied on by Octel et al." (Emphasis in original.) "The Examiner was satisfied and issued the patent. Nothing has been presented by Octel et al to show the Examiner was wrong." *See* opening brief at 13; reply brief at 2.

In moving for judgment as a matter of law, petitioner specifically urged that obviousness is a question of law that the trial court was obliged to decide in its favor. *See* petition, Appendix, p. C-2. This contention was timely. In this regard, petitioner did no less than the defendant in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), where the defendant did not object to the trial court's instruction to the jury to interpret the patent claims, but then contended in moving for judgment as a matter of law that claim construction was a matter for decision by the court. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 973, 975 n.5. *See also Boyle v.*

---

on a declaration of Dr. Larky. Northern Telecom neglected to acknowledge the following from the same opposition memorandum:

> "The '436 and '817 patents are presumed valid. *Northern Telecom's motion asks the Court to second guess the Patent Examiner in issuing the '436 and '817 patents. However, Northern Telecom has offered nothing new that rebuts the presumption of validity.* Indeed, Northern Telecom failed to point out a critical undisputed fact — the Shepard reference was *not* withheld from the Patent Office. As conclusively demonstrated by the search notes in the file history, the Examiner for both the '436 and '817 patents did *in fact* go back and review the parent application (Serial No. 856,105) where *Shepard* was extensively discussed and rejected."

(05485:9-19 [first emphasis added].)

United Technologies Corp., 487 U.S. 500, 513-514. (1988).[11]

4. Respondents' Misstatements Demonstrate The Fertile Ground for Obfuscation in Patent Validity Decisions

Respondents disparage the pioneering work of Peter Theis, and yet they had to rely on his own invention to defeat his patent claims below.[12] They say Theis' inventions went nowhere and failed commercially. Yet *the patent claims were found to be*

---

[11] Petitioner similarly sought de novo interpretation of the claims in moving for a new trial and judgment as a matter of law with respect to the Octel applications and Northern Telecom systems found not to infringe. On appeal, petitioner contended that the Federal Circuit was obligated to overturn the trial court's erroneous claim constructions by interpreting the claims de novo in accordance with the text of the claims, the specification, and the prosecution history. Opening brief at 20-21, 25-27, 29; reply brief 10, 26.

Respondents' contention—that petitioner did not argue to the Federal Circuit that the physical Con Mode I device, inoperable for telephone applications before the critical date, was not prior art to patent claims limited to telephone applications—is also erroneous. Opening brief at 14-15; reply brief at 1-2.

[12] The Theis patent claims involved in this case are still the fundamental building blocks of cutting-edge technology that may be sampled by dialing (847) 473-7333. This particular technology is commercially available through Conversational Voice Technologies Corporation (CVTC), which provides this demonstration line.

The invention, as recited in the patent claims, is not a "tape-recorder-based technology" as misstated by Northern Telecom. Indeed, the record shows that Theis considered computerized voice digitizing in the initial product development in the early 1970s (he had worked with computers as a Yale undergraduate in the mid-1950s and in his early career, 14355-14357, 14375-14376) but, because of the high cost of computers at the time, used analog tape machines for the early commercial products. 14375-14377. As of the time of trial, the digital and analog applications were used interchangeably. 14375.

infringed, and the commercial success of these products is acknowledged and well-known. Theis also successfully marketed the technology.[13] Respondents' unsupported, untrue assertions and misleading statements are indicative of how they tried the case and argued the appeal. While openly disparaging remarks are relatively easy to spot, the misstatements of the technical matters can be quite slippery.[14] Importantly, all of the

---

[13] The prosecution history records the successful marketing of the Con Mode II. See, e.g., 16754-16765. CVTC, which Theis formed in 1973, continued to market his Con Mode system with success. 14374-14375, 14381. For example, using the same underlying technology, CVTC pioneered automated operator services at Pacific Bell in the 1980s. 14375, 14393. CVTC is *still* a thriving business built on the technology that Theis invented. 14375. By Northern Telecom's apparent standards, no small business may be deemed a "success," but Theis' inventive efforts have employed people and brought innovative technologies to the marketplace for decades.

The statements in the petition (at 5) concerning the dates of delivery (starting 1/73) and use (after 2/4/73) of the Con Mode I are correct and supported by the prosecution history. *See* 16782-16786. Northern Telecom (at 2-3) misconstrues a reference by the *In re Theis* court (610 F.2d at 793-794) to "when Market Facts and others were using the systems, ..." The court was responding to a contention that the devices *delivered* before the critical date were not operative. 16833. Also, the court itself states that "it is not clear from the record that delivery of the systems to Market Facts actually took place prior to the critical date, ..." 610 F.2d at 791. (The Market Facts units were delivered in "February" 1973 but not installed until 4/1/73. 16753-16754.) Northern Telecom's "lament" is just so much sackcloth about nothing.

[14] Corrections of respondents' statements include the following:
• The Con Mode I did not encompass the "subject matter" of the '930 application claims.
• The Con Mode I was not the subject of a patent application. (Theis did not spend months of extreme effort to discover the major problem,

pertinent issues were before the Patent and Trademark Office, the administrative body with expertise in these matters.

5. Conclusion

Theis Research respectfully requests that the Court grant the petition.

Respectfully submitted,

Paul R. Johnson
Counsel of Record
Nevin & Hall LLP
180 Grand Avenue, Suite 950
Oakland, CA 94612
(510) 873-8600

June 9, 1998

---

fix it, and then write a specification for the mode that did not work.)

• That the noise level circuit in the Con Mode I was intended to identify when a caller was talking does not make it a "speech detector" as that term is defined in the specification and file wrapper. 14363-14364, 16756-16761.

• The speech detector in the Con Mode II had the function of distinguishing spurious telephone line noises; the noise level circuit in Con Mode I and the "yes"/"no" circuit in Shepard did not. 05501-05509, 15041-15047, 16756-16761.

• The line control card in Con Mode I did not perform the same functions as the interface means in Con Mode II. 15041-15047, 16755-16763, 16780. For example, it did not perform the critical function of detecting caller hang-up; in Con Mode I that was assumed only by the absence of noise to the circuit on the tone board.

• Octel's citation to Dr. Gibson (14932) statement refers to the use of syllabic companding in a speech detector, not that it would have been natural for Theis to put a speech detector in the original Con Mode.

• Nothing in the prior art, including all of the cited references, showed either the means or the need for the speech detector and interface means until Theis discovered the problem after months of intense effort on a cutting-edge technology. The authority cited by Octel (at 17) confirms the patentability of the invention.